

PIMCO NEW YORK MUNICIPAL INCOME FUND III
Form N-Q
February 24, 2012

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY

| | |
|---|--|
| Investment Company Act File Number: | 811-21189 |
| Registrant Name: | PIMCO New York Municipal Income Fund III |
| Address of Principal Executive Offices: | 1633 Broadway, 41 st Floor New York, NY 10019 |
| Name and Address of Agent for Service: | Lawrence G. Altadonna 1633 Broadway, 41 st Floor New York, NY 10019 |
| Registrant's telephone number, including area code: | 212-739-3371 |
| Date of Fiscal Year End: | September 30, 2012 |

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Date of Reporting Period:

December 31, 2011

Form N-Q is to be used by management investment companies, other than small business investment companies registered on Form N-5 (§§ 239.24 and 274.5 of this chapter), to file reports with the Commission, not later than 60 days after the close of the first and third fiscal quarters, pursuant to rule 30b1-5 under the Investment Company Act of 1940 (17 CFR 270.30b1-5). The Commission may use the information provided on Form N-Q in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-Q, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-Q unless the Form displays a currently valid Office of Management and Budget (OMB) control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to the Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-2001. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

Item 1. Schedule of Investments**PIMCO New York Municipal Income Fund III Schedule of Investments**

December 31, 2011 (unaudited)

| Principal Amount (000s) | | Value* |
|---|--|--------------|
| NEW YORK MUNICIPAL BONDS & NOTES 84.8% | | |
| \$ 1,000 | Brooklyn Arena Local Dev. Corp. Rev., Barclays Center Project, 6.375%, 7/15/43 | \$ 1,048,880 |
| 1,500 | Chautauqua Cnty. Industrial Dev. Agcy. Rev., Dunkirk Power Project, 5.875%, 4/1/42 | 1,506,135 |
| 730 | Dutchess Cnty. Industrial Dev. Agcy. Rev., Elant Fishkill, Inc., 5.25%, 1/1/37, Ser. A | 504,941 |
| 800 | East Rochester Housing Auth. Rev., St. Mary's Residence Project, 5.375%, 12/20/22, Ser. A (GNMA) | 857,472 |
| 4,000 | Hudson Yards Infrastructure Corp. Rev., 5.75%, 2/15/47, Ser. A Liberty Dev. Corp. Rev., | 4,326,640 |
| 1,050 | 6.375%, 7/15/49 Goldman Sachs Headquarters, | 1,111,058 |
| 1,810 | 5.25%, 10/1/35 | 1,869,766 |
| 2,400 | 5.50%, 10/1/37 | 2,518,824 |
| 1,500 | Long Island Power Auth. Rev., 5.75%, 4/1/39, Ser. A Metropolitan Transportation Auth. Rev., | 1,660,485 |
| 5,220 | 5.00%, 11/15/32, Ser. A (FGIC-NPFGC) | 5,310,619 |
| 500 | 5.00%, 11/15/34, Ser. B | 537,960 |
| 3,000 | Monroe Cnty. Industrial Dev. Corp. Rev., Unity Hospital Rochester Project, 5.50%, 8/15/40 (FHA) (b) | 3,309,300 |
| 200 | Mortgage Agcy. Rev., 4.75%, 10/1/27, Ser. 128 | 202,604 |
| 500 | Nassau Cnty. Industrial Dev. Agcy. Rev., Amsterdam at Harborside, 6.70%, 1/1/43, Ser. A | 398,100 |
| 2,695 | New York City, GO, 5.00%, 3/1/33, Ser. I New York City Industrial Dev. Agcy. Rev. (AGC), | 2,744,884 |
| 600 | Queens Baseball Stadium, 6.50%, 1/1/46 | 642,318 |
| 2,200 | Yankee Stadium, 7.00%, 3/1/49 New York City Municipal Water Finance Auth. Water & Sewer Rev., Second Generation Resolutions, | 2,522,982 |
| 5,000 | 4.75%, 6/15/35, Ser. DD (b) | 5,211,650 |
| 1,500 | 5.00%, 6/15/39, Ser. GG-1 | 1,601,685 |
| 3,450 | New York City Trust for Cultural Res. Rev., Wildlife Conservation Society, 5.00%, 2/1/34 (FGIC-NPFGC) | 3,554,570 |
| 4,000 | New York Liberty Dev. Corp. Rev., 4 World Trade Center Project, 5.75%, 11/15/51 | 4,341,320 |
| 1,000 | Niagara Falls Public Water Auth. Water & Sewer Rev., 5.00%, 7/15/34, Ser. A (NPFGC) | 1,006,700 |
| 400 | Onondaga Cnty. Rev., Syracuse Univ. Project, 5.00%, 12/1/36 | 435,508 |
| 600 | Port Auth. of New York & New Jersey Rev., JFK International Air Terminal, 6.00%, 12/1/36 | 636,468 |
| 1,000 | State Dormitory Auth. Rev., 5.00%, 3/15/38, Ser. A | 1,070,960 |
| 2,250 | Jewish Board Family & Children, 5.00%, 7/1/33 (AMBAC) | 2,251,575 |
| 3,000 | Lutheran Medical Hospital, 5.00%, 8/1/31 (FHA-NPFGC) | 3,017,610 |
| 250 | NYU Hospitals Center, 6.00%, 7/1/40, Ser. A | 265,345 |

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| | | |
|-------|--|-----------|
| 3,740 | St. Barnabas Hospital, 5.00%, 2/1/31, Ser. A (AMBAC-FHA) | 3,804,964 |
| 1,200 | Teachers College, 5.50%, 3/1/39 | 1,285,524 |
| 500 | The New School, 5.50%, 7/1/40 | 538,975 |

PIMCO New York Municipal Income Fund III Schedule of Investments

December 31, 2011 (unaudited) (continued)

Principal

Amount

| (000s) | | Value* |
|--------|---|-------------------|
| \$ 620 | Winthrop Univ. Hospital Assoc., 5.50%, 7/1/32, Ser. A | \$ 624,830 |
| 2,500 | Winthrop-Nassau Univ., 5.75%, 7/1/28 | 2,534,800 |
| 750 | State Environmental Facs. Corp. Rev., 4.75%, 6/15/32, Ser. B | 790,387 |
| | State Urban Dev. Corp. Rev., | |
| 2,400 | 5.00%, 3/15/35, Ser. B | 2,518,896 |
| 2,200 | 5.00%, 3/15/36, Ser. B-1 (b) | 2,358,972 |
| 2,000 | Triborough Bridge & Tunnel Auth. Rev., 5.25%, 11/15/34, Ser. A-2 (b) | 2,190,040 |
| 1,400 | Troy Capital Res. Corp. Rev., Rensselaer Polytechnic Institute, | |
| | 5.125%, 9/1/40, Ser. A | 1,423,884 |
| 2,000 | Warren & Washington Cntys. Industrial Dev. Agcy. Rev., | |
| | Glens Falls Hospital Project, 5.00%, 12/1/35, Ser. A (AGM) | 2,006,020 |
| 600 | Westchester Cnty. Healthcare Corp. Rev., 6.125%, 11/1/37, Ser. C-2 | 650,298 |
| 100 | Yonkers Economic Dev. Corp. Rev., | |
| | Charter School of Educational Excellence Project, 6.00%, 10/15/30, Ser. A | 96,819 |
| | Total New York Municipal Bonds & Notes (cost \$70,938,025) | 75,290,768 |

OTHER MUNICIPAL BONDS & NOTES 9.5%**District of Columbia 0.2%**

| | | |
|-----|---|---------|
| 175 | Tobacco Settlement Financing Corp. Rev., 6.50%, 5/15/33 | 185,442 |
|-----|---|---------|

Ohio 1.0%

| | | |
|-------|--|---------|
| 1,250 | Buckeye Tobacco Settlement Financing Auth. Rev., | |
| | 5.875%, 6/1/47, Ser. A-2 | 898,775 |

Puerto Rico 6.9%

| | | |
|-------|---|-----------|
| 580 | Children s Trust Fund Rev., 5.625%, 5/15/43 | 490,721 |
| | Sales Tax Financing Corp. Rev., | |
| 4,000 | 5.00%, 8/1/40, Ser. A (AGM) (b) | 4,109,440 |
| 500 | 5.25%, 8/1/43, Ser. A-1 | 519,030 |
| 1,000 | 5.375%, 8/1/38, Ser. C | 1,050,740 |
| | | 6,169,931 |

South Carolina 0.6%

| | | |
|-----|--|---------|
| 370 | Tobacco Settlement Rev. Management Auth. Rev., | |
| | 6.375%, 5/15/30, Ser. B | 503,873 |

U. S. Virgin Islands 0.6%

| | | |
|-----|---|---------|
| 500 | Public Finance Auth. Rev., 6.00%, 10/1/39, Ser. A | 524,520 |
|-----|---|---------|

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Washington 0.2%

| | | |
|-----|---|---------|
| 135 | Tobacco Settlement Auth. Rev., 6.625%, 6/1/32 | 136,945 |
|-----|---|---------|

| | |
|--|-----------|
| Total Other Municipal Bonds & Notes (cost \$7,916,962) | 8,419,486 |
|--|-----------|

NEW YORK VARIABLE RATE NOTES (a) 5.7%

| | | |
|-------|--|-----------|
| 5,000 | State Dormitory Auth. Rev., Rockefeller Univ., 5.00%, 7/1/32, Ser. A-1 (cost \$4,342,344) | 5,093,800 |
|-------|--|-----------|

PIMCO New York Municipal Income Fund III Schedule of Investments

December 31, 2011 (unaudited) (continued)

| Principal Amount (000s) | | Value* |
|---|--------------------------------|----------------------|
| SHORT-TERM INVESTMENTS 0.0% | | |
| U.S. Treasury Obligations (c) 0.0% | | |
| U.S. Treasury Bills, | | |
| \$ 37 | 0.025%, 4/5/12 (cost \$36,998) | \$ 36,998 |
| Total Investments (cost \$83,234,329) (d) 100.0% | | \$ 88,841,052 |

Notes to Schedule of Investments:

* Portfolio securities and other financial instruments for which market quotations are readily available are stated at market value. Market value is generally determined on the basis of last reported sales prices, or if no sales are reported, on the basis of quotes obtained from a quotation reporting system, established market makers, or independent pricing services.

Portfolio securities and other financial instruments for which market quotations are not readily available, or for which a development/event occurs that may significantly impact the value of a security, are fair-valued, in good faith, pursuant to procedures established by the Board of Trustees, or persons acting at their discretion pursuant to procedures established by the Board of Trustees. The Fund's investments are valued daily using prices supplied by an independent pricing service or dealer quotations, or by using the last sale price on the exchange that is the primary market for such securities, or the mean between the last quoted bid and ask price. Independent pricing services use information provided by market makers or estimates of market values obtained from yield data relating to investments or securities with similar characteristics. Short-term securities maturing in 60 days or less are valued at amortized cost, if their original term to maturity was 60 days or less, or by amortizing their value on the 61st day prior to maturity, if the original term to maturity exceeded 60 days.

The prices used by the Fund to value securities may differ from the value that would be realized if the securities were sold and these differences could be material. The Fund's net asset value (NAV) is normally determined as of the close of regular trading (normally, 4:00 p.m. Eastern time) on the New York Stock Exchange (NYSE) on each day the NYSE is open for business.

- (a) Variable Rate Notes Instruments whose interest rates change on specified date (such as a coupon date or interest payment date) and/or whose interest rates vary with changes in a designated base rate (such as the prime interest rate). The interest rate disclosed reflects the rate in effect on December 31, 2011.
- (b) Residual Interest Bonds held in Trust Securities represent underlying bonds transferred to a separate securitization trust established in a tender option bond transaction in which the Fund acquired the residual interest certificates. These securities serve as collateral in a financing transaction.
- (c) Rates reflect the effective yields at purchase date.
- (d) At December 31, 2011, the cost basis of portfolio securities for federal income tax purposes was \$74,304,477. Gross unrealized appreciation was \$5,970,265, gross unrealized depreciation was \$382,158 and net unrealized appreciation was \$5,588,107. The difference between book and tax cost was attributable to inverse floater transactions.

Glossary:

AGC insured by Assured Guaranty Corp.

AGM insured by Assured Guaranty Municipal Corp.

AMBAC insured by American Municipal Bond Assurance Corp.

FGIC insured by Financial Guaranty Insurance Co.

FHA insured by Federal Housing Administration

GO General Obligation Bond

GNMA insured by Government National Mortgage Association

NPFGC insured by National Public Finance Guarantee Corp.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the exit price) in an orderly transaction between market participants. The three levels of the fair value hierarchy are described below:

Level 1 quoted prices in active markets for identical investments that the Fund has the ability to access

Level 2 valuations based on other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.) or quotes from inactive exchanges

Level 3 valuations based on significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

An investment asset's or liability's level within the fair value hierarchy is based on the lowest level input, individually or in the aggregate, that is significant to fair value measurement. The objective of fair value measurement remains the same even when there is a significant decrease in the volume and level of activity for an asset or liability and regardless of the valuation technique used.

The valuation techniques used by the Fund to measure fair value during the three months ended December 31, 2011 maximized the use of observable inputs and minimized the use of unobservable inputs.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following are certain inputs and techniques that the Fund generally uses to evaluate how to classify each major category of assets and liabilities for Level 2 and Level 3, in accordance with Generally Accepted Accounting Principles.

Municipal Bonds & Notes and Variable Rate Notes Municipal bonds and notes and variable rate notes are valued by independent pricing services based on pricing models that take into account, among other factors, information received from market makers and broker-dealers, current trades, bid-want lists, offerings, market movements, the callability of the bond or note, state of issuance, benchmark yield curves, and bond or note insurance. To the extent that these inputs are observable, the values of municipal bonds and notes are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

U.S. Treasury Obligations U.S. Treasury obligations are valued by independent pricing services based on pricing models that evaluate the mean between the most recently quoted bid and ask price. The models also take into consideration data received from active market makers and broker-dealers, yield curves, and the spread over comparable U.S. Treasury issues. The spreads change daily in response to market conditions and are generally obtained from the new issue market and broker-dealer sources. To the extent that these inputs are observable, the values of U.S. Treasury obligations are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

The Fund's policy is to recognize transfers between levels at the end of the reporting period.

A summary of the inputs used at December 31, 2011 in valuing the Fund's assets and liabilities is listed below (refer to the Schedule of Investments for detailed information on Investments in Securities):

| | Level 1 - Quoted Prices | Level 2 - Other Significant Observable Inputs | Level 3 - Significant Unobservable Inputs | Value at 12/31/11 |
|---|----------------------------|--|--|----------------------|
| Investments in Securities - Assets | | | | |
| New York Municipal Bonds & Notes | | \$ 75,290,768 | | \$ 75,290,768 |
| Other Municipal Bonds & Notes | | 8,419,486 | | 8,419,486 |
| New York Variable Rate Notes | | 5,093,800 | | 5,093,800 |
| Short-Term Investments | | 36,998 | | 36,998 |
| Total Investments | | \$ 88,841,052 | | \$ 88,841,052 |

There were no significant transfers between Levels 1 and 2 during the three months ended December 31, 2011.

Item 2. Controls and Procedures

(a) The registrant's President & Chief Executive Officer and Treasurer, Principal Financial & Accounting Officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Act (17 CFR 270.30a -3(c))), are effective based on their evaluation of these controls and procedures as of a date within 90 days of the filing date of this document.

(b) There were no significant changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Act (17 CFR 270.30a -3(d))) that occurred during the registrant's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3. Exhibits

(a) Exhibit 99.302 Cert. Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Registrant: PIMCO New York Municipal Income Fund III

By /s/ Brian S. Shlissel

President & Chief Executive Officer

Date: February 24, 2012

By /s/ Lawrence G. Altadonna

Treasurer, Principal Financial & Accounting Officer

Date: February 24, 2012

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By /s/ Brian S. Shlissel

President & Chief Executive Officer

Date: February 24, 2012

By /s/ Lawrence G. Altadonna

Treasurer, Principal Financial & Accounting Officer

Date: February 24, 2012